

**WARNACO of Canada Limited**  
**1975 Annual Report**

Lifestyles Apparel

**AR46**



Hathaway



White Stag ActionSports



Roydon



Puritan



Speedo



White Stag Sportswear



Don Parker



## Officers

**James C. Walker**  
President and Chief Executive Officer

**T. R. Hornby**  
Vice President and Treasurer

**Melvyn R. Bell**  
Vice President and President,  
Don Parker Mfg. Ltd.

**Harold H. Botnick**  
Vice President and President,  
the Botnick Group

**Albert A. Boyd**  
Vice President and President,  
White Stag of Canada

**Anthony C. Straessle, Jr.**  
Vice President and President,  
Croydon Manufacturing Co. Limited

**Edward A. Turner**  
Vice President and President,  
Warner's (Canada)

**Roy A. Barkey**  
**Frederick M. Robison**  
Assistant Treasurers

**John S. Johnson**  
Secretary

**Donald B. Wilkie**  
Assistant Secretary

## Board of Directors

**Cameron Clark, Jr.**  
President and Chief Operations Officer,  
Warnaco Inc.

**John W. Field**  
Chairman and Chief Executive Officer,  
Warnaco Inc.

**James P. Gillies**  
Senior Vice President,  
Warnaco Inc.

**William M. Jennings**  
Partner, law firm of  
Simpson Thacher & Bartlett

**Edward Lawrence**  
Financial Consultant

**Thomas A. Lindsay**  
Chairman and Chief Executive  
Officer, Phillips Cables Limited

**R. de Wolfe MacKay**  
Senior Partner, law firm of Duquet,  
MacKay, Weldon & Bronstetter

**Warren Y. Soper**  
Vice President, investment firm of  
Pitfield, Mackay, Ross & Company Limited

**James C. Walker**  
President and Chief Executive Officer,  
Warnaco of Canada Limited



# Consolidated Financial Highlights<sup>(1)</sup>

Warnaco of Canada Limited

	1975 <sup>(1)</sup>	1974
Net sales	\$33,659,000	\$28,605,000
Earnings for the year	2,067,000	2,059,000
Earnings per share	\$2.07	\$2.06

(1) Including results of White Stag of Canada from August 1, 1975.

*Warnaco of Canada is a diversified apparel company with operating units in a range of product categories attuned to contemporary lifestyles. The cover depicts some of these products, including intimate apparel from Warner's and dress shirts from Hathaway, the company's original units; skiwear by the Botnick Group, which makes this and other White Stag active sports attire for men and women; White Stag women's sportswear by the newly-added unit in this category; outerwear (as pictured in Miss Chatelaine magazine) by the Croydon division, best known as Canada's leading rainwear maker; Puritan knit sport shirts and sweaters, which the company has begun to market in Canada; Speedo racing swimsuits by Botnick, due for new world prominence at the 1976 Olympics in Montreal; and men's slacks and leisurewear by the Don Parker division.*

## To the Shareholders:

The year 1975 was a challenging one for Warnaco of Canada. The caution in buying patterns by retailers and consumers that we anticipated in early reports unfortunately became a reality, and the marketplace experienced a severe recession throughout most of the year. Once again, however, our strong brand positions provided us with the resilience to weather the situation.

Net sales for the year were \$33,659,000, an increase of \$5,054,000, or 17.7 per cent, over 1974. Net earnings were \$2,067,000, or \$2.07 per share, up slightly from the preceding record year of \$2,059,000, or \$2.06 per share. These figures include the five-month results of the White Stag women's sportswear division acquired on August 1, 1975. The major changes in the balance sheet at year-end reflect in most part the acquisition of the assets and the assumption of the liabilities of the White Stag unit.

Cash flow continues to be sufficient to meet the operating needs of the company and the retirement of long-term debt. For seasonal demands the company maintains an adequate line of credit with its bankers.

The Warner's division produced another record year, introducing several new styles of intimate apparel which were well received. The Botnick companies continued their successful growth pattern in both White Stag skiwear and Speedo racing swimwear. The Croydon brand once again demonstrated its strong market acceptance by performing very satisfactorily in a very difficult year for both rainwear and outerwear. Both Don Parker men's slacks and leisurewear and White Stag women's sportswear experienced a difficult year, as a result of heavy retail inventories in their categories. Hathaway turned in another record year, realizing the full benefits of efficiencies from the introduction of automated equipment and from the continuing popularity of the brand in the better men's shirt business.

The new Puritan division, headquartered in Edmonton, began operations in late 1975 and delivered merchandise in the first quarter of 1976. Initial results are very encouraging and we intend to develop this famous Warnaco men's sport shirt and sweater brand in the Canadian market as rapidly as possible.

The company and its subsidiary companies are subject to controls on prices, profits, compensation and dividends instituted by the Federal Government in the Anti-Inflation Act that became effective on October 14, 1975. We have used our best efforts to comply with both the guidelines and the spirit of the legislation. Senior personnel have met with representatives of the Anti-Inflation Board to facilitate compliance. While there are still a number of general uncertainties concerning the interpretation of the regulations by the Board, the company believes that this will not result in any serious impediment of its growth and performance in 1976.

I would like to thank our employees, our customers and our suppliers for their hard work, loyalty and support during a challenging year. The directors have provided wise counsel and great assistance to our management and we are grateful for their contribution.



It is somewhat difficult at this time to forecast the marketplace for the whole of 1976. The very slow growth of the gross national product, along with record high interest rates currently in force, plus the seeming inability of our government to control its expenditures, create a picture of uncertainty. In such times it is important to note that financially sound companies with strong brands have special opportunities to improve their market shares. Warnaco of Canada is one of these companies.

James C. Walker  
President

Prescott, Ontario  
March 1976



James C. Walker

**Financial Highlights — Pro Forma Combined<sup>(1)</sup>**

Warnaco of Canada Limited

(Dollars in thousands except per share data)	1975	1974	1973	1972	1971
Net sales	\$33,659	\$28,605	\$25,138	\$20,860	\$17,834
Earnings before income taxes and extraordinary items	3,746	3,757	3,241	2,241	1,718
Earnings before extraordinary items	2,067	2,059	1,783	1,135	840
Extraordinary items	—	—	—	21	192
Earnings for the year	2,067	2,059	1,783	1,156	1,032
Earnings per share <sup>(2)</sup> :					
Before extraordinary items	\$2.07	\$2.06	\$1.78	\$1.14	\$ .84
After extraordinary items	2.07	2.06	1.78	1.16	1.03

(1) The pro forma combined statement of earnings reflects the operating results for the five years ended January 3, 1976 as though the business and net assets of C. F. Hathaway (Canada) Ltd. and the shares of Croydon Manufacturing Co. Limited, Harold Botnick Inc., Botnick Industries Ltd. and Don Parker Mfg. Ltd., had been held by the company for the entire period. This presentation, like others in this report, includes the results of White Stag of Canada only from the effective date of acquisition, August 1, 1975. (See Note 1 of Notes to Consolidated Financial Statements.)

(2) The pro forma calculation of earnings per share for each year is based on the 1,000,000 common shares outstanding subsequent to the public issue on October 29, 1973.

# Consolidated Statement of Earnings and Retained Earnings

Warnaco of Canada Limited and Subsidiary Companies

Year Ended	January 3, 1976 (53 weeks)	December 28, 1974 (52 weeks)
Net sales	\$33,659,000	\$28,605,000
Cost of goods sold	23,868,000	19,910,000
Gross margin	9,791,000	8,695,000
Expenses:-		
Selling	3,647,000	2,899,000
Administration and general	2,032,000	1,691,000
Interest:		
Current debt	161,000	299,000
Long-term debt	285,000	281,000
	6,125,000	5,170,000
	3,666,000	3,525,000
Interest income	80,000	232,000
Earnings before income taxes	3,746,000	3,757,000
Income taxes:		
Current	1,580,000	1,614,000
Deferred	99,000	84,000
	1,679,000	1,698,000
Earnings for the year	2,067,000	2,059,000
Retained earnings at beginning of period	5,256,000	3,557,000
	7,323,000	5,616,000
Dividends on common shares (\$0.50 per share; 1974 — \$0.36 per share)	500,000	360,000
Retained earnings at end of period	\$ 6,823,000	\$ 5,256,000
Earnings per share	\$2.07	\$2.06



**Consolidated Balance Sheet**

Warnaco of Canada Limited and Subsidiary Companies

		January 3, 1976	December 28, 1974
<b>Assets</b>	<b>Current:</b>		
	Cash	\$ 826,000	\$ 193,000
	Short-term investments, at cost		
	which approximates market	—	2,599,000
	Accounts receivable	6,258,000	4,277,000
	Inventories (Note 2)	7,733,000	8,068,000
	Prepaid expenses	137,000	56,000
		<u>14,954,000</u>	<u>15,193,000</u>
	Fixed assets, at cost (Note 3)	4,186,000	3,128,000
	Less: Accumulated depreciation	2,038,000	1,739,000
		<u>2,148,000</u>	<u>1,389,000</u>
	Excess of purchase price of investments in subsidiary companies over the net value of the underlying tangible assets acquired	3,611,000	3,611,000
	Other assets, at cost less amortization (Note 4)	495,000	45,000
		<u>\$21,208,000</u>	<u>\$20,238,000</u>



		January 3, 1976	December 28, 1974
<hr/>			
<b>Liabilities and Shareholders' Equity</b>	<b>Current:</b>		
	Bank indebtedness (Note 5)	\$ 240,000	\$ 1,652,000
	Accounts payable and accrued liabilities	2,673,000	2,268,000
	Due to affiliated companies	2,741,000	686,000
	Dividends payable	125,000	90,000
	Income taxes payable	39,000	929,000
	Current portion of long-term debt	665,000	290,000
	Due to former shareholders of subsidiary companies	—	639,000
		<hr/> 6,483,000	<hr/> 6,554,000
	Long-term debt (Note 6)	2,070,000	2,695,000
	Deferred income taxes	244,000	145,000
		<hr/> 8,797,000	<hr/> 9,394,000
	<b>Shareholders' equity:-</b>		
	Capital stock:		
	Authorized — 2,500,000 common shares without par value		
	Issued and outstanding — 1,000,000 shares	5,588,000	5,588,000
	Retained earnings	6,823,000	5,256,000
		<hr/> 12,411,000	<hr/> 10,844,000
	Contingent liabilities and commitments (Note 7)		
		<hr/> \$21,208,000	<hr/> \$20,238,000
		<hr/>	<hr/>

Approved by the Board:  
R. de Wolfe MacKay, Director  
Warren Y. Soper, Director



# Consolidated Statement of Changes in Financial Position

Warnaco of Canada Limited and Subsidiary Companies

Year Ended	January 3, 1976 (53 weeks)	December 28, 1974 (52 weeks)
<b>Source of funds</b>		
Earnings for the year	\$2,067,000	\$2,059,000
Add: Items not involving current funds:		
Depreciation	322,000	268,000
Deferred income taxes	99,000	84,000
Amortization	18,000	—
Other	(5,000)	(4,000)
	<u>2,501,000</u>	<u>2,407,000</u>
<b>Disposition of funds</b>		
Acquired from White Stag of Canada (Note 1):		
Fixed assets	750,000	—
Intangible assets (Note 4)	463,000	—
	<u>1,213,000</u>	<u>—</u>
Payment of additional consideration on purchase of subsidiary company	—	600,000
Additions to fixed assets	331,000	368,000
Net reduction of long-term debt	625,000	290,000
Payment of dividends	500,000	360,000
	<u>2,669,000</u>	<u>1,618,000</u>
Increase (decrease) in working capital	(168,000)	789,000
Working capital at beginning of year	8,639,000	7,850,000
Working capital at end of year	<u><u>\$8,471,000</u></u>	<u><u>\$8,639,000</u></u>



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**1. Summary of  
accounting policies:**

**Basis of consolidation** — The consolidated financial statements comprise the accounts of the parent company and all of its subsidiaries from their respective dates of acquisition.

Effective August 1, 1975 the Company acquired the net assets of White Stag of Canada, a partnership owned by affiliated companies, for a price of \$1,000,000 of which \$128,000 was attributed to goodwill (Note 4). The 1975 consolidated statement of earnings and retained earnings includes the operations of the new White Stag Division for a five-month period.

**Inventories** — Inventories are stated at the lower of cost and net realizable value. Cost is determined principally on the bases of standard costs (which approximate actual costs) and actual costs.

**Depreciation and amortization** — Depreciation is calculated on a diminishing balance basis at annual rates of 5 per cent on buildings, 20 per cent on machinery and equipment and 30 per cent on automotive equipment. Leasehold improvements are amortized over the terms of the leases (plus the first renewal option term in certain cases).

**Intangible assets** — The excess of purchase price of investments in subsidiary companies over the net value of the underlying tangible assets acquired is retained as an asset in the consolidated balance sheet and is not being amortized.

Intangible assets acquired on the acquisition of the net assets of White Stag of Canada Ltd. are being amortized as follows:

Goodwill — over 40 years commencing 1975

Leasehold interest — over a twelve and one-half year period commencing in 1975, which represents the remaining term of the lease plus the first renewal option

Licence — over the remaining term of the licence

**Deferred income taxes** — Deferred income taxes are provided for expense items (essentially depreciation) reported for tax purposes in different periods than for financial reporting purposes, thus creating a timing difference the tax effect of which is reflected under this heading.

**Research and development** — Market research and product development costs are charged to operations as incurred.

**Earnings per share** — Earnings per share are calculated on the weighted average basis of common shares outstanding during the year. There was no change in outstanding shares during 1974 or 1975 and there are no dilutive factors to affect basic earnings per share.



<b>2. Inventories:</b>	January 3, 1976	December 28, 1974
Raw materials	\$2,180,000	\$2,315,000
Work in process	1,709,000	1,088,000
Finished goods	3,844,000	4,665,000
	<u>\$7,733,000</u>	<u>\$8,068,000</u>

<b>3. Fixed assets:</b>	January 3, 1976	December 28, 1974
Land and buildings	\$ 460,000	\$ 456,000
Machinery and equipment	3,265,000	2,504,000
Leasehold improvements	461,000	168,000
	<u>4,186,000</u>	<u>3,128,000</u>
Accumulated depreciation	2,038,000	1,739,000
	<u>\$2,148,000</u>	<u>\$1,389,000</u>

Depreciation amounted to \$322,000 in 1975 (1974 — \$268,000).

<b>4. Other assets:</b>	January 3, 1976	December 28, 1974
Assets acquired from White Stag of Canada:-		
Leasehold interest	\$235,000	\$ —
Licence	100,000	—
Goodwill	128,000	—
	<u>463,000</u>	<u>—</u>
Less: Accumulated amortization	18,000	—
	<u>445,000</u>	<u>—</u>
Sundry	50,000	45,000
	<u>\$495,000</u>	<u>\$45,000</u>

**5. Bank indebtedness:** Bank indebtedness is secured principally by a combination of inventories under Section 88 of the Bank Act and by general assignments of accounts receivable.



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**6. Long-term debt:**

	January 3, 1976	December 28, 1974
Payable to affiliated companies in U.S. currency, translated into Canadian funds at par:		
Warnaco of Canada Limited — 7% loans repayable 1976-1980	\$ 870,000	\$1,090,000
9 <sup>3</sup> / <sub>8</sub> % loans repayable 1976-1979	800,000	800,000
Croydon Manufacturing Co. Limited — 7% loans repayable 1976-1980	825,000	825,000
Payable to others:		
Warnaco of Canada Limited — Agreement payable \$40,000 annually plus 12% interest	40,000	—
Don Parker Mfg. Ltd. — Agreement payable \$60,000 annually plus interest at bank prime rate	180,000	240,000
Agreement payable \$10,000 annually plus 7% interest	20,000	30,000
	<u>2,735,000</u>	<u>2,985,000</u>
Less: Current portion	<u>665,000</u>	<u>290,000</u>
	<u>\$2,070,000</u>	<u>\$2,695,000</u>
Repayment of principal due over next five years:		
1976	\$665,000	
1977	875,000	
1978	665,000	
1979	345,000	
1980	185,000	

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**7. Contingent liabilities  
and commitments:**

Minimum annual rental commitments under non-cancellable leases entered into by the Company and its subsidiaries amount to:	
1976	\$501,000
1977	495,000
1978	478,000
1979	397,000
1980	369,000
1981-85	577,000
1986-90	41,000

These leases are mainly for buildings and office premises and the rental expense in 1975 amounted to \$386,000 (1974 — \$325,000).

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**8. Anti-Inflation Legislation:**

The Company and its subsidiary companies are subject to controls on prices, profits, compensation and dividends instituted by the Federal Government in the Anti-Inflation Act and Regulations effective October 14, 1975.

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**9. Statutory information:**

The Company has nine directors who received aggregate remuneration as directors of \$10,000 (\$9,600 in 1974). The Company's eleven officers, one of whom is also a director, received aggregate remuneration of \$345,000 (1974 — \$273,000).

This statement does not purport to comply with all disclosure requirements unique to the British Columbia Companies Act.

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**Auditors' Report****To the Shareholders of Warnaco of Canada Limited:**

We have examined the consolidated balance sheet of Warnaco of Canada Limited and its subsidiaries as at January 3, 1976 and the consolidated statements of earnings and retained earnings and changes in financial position for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 3, 1976 and the results of their operations and the changes in their financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Pricewaterhouse Co.*

Chartered Accountants  
January 30, 1976



**Executive Offices**

St. Lawrence Street  
Prescott, Ontario  
K0E 1T0

**Listed (WRN)**

Montreal Stock Exchange  
Toronto Stock Exchange

**Annual Meeting**

The annual meeting of shareholders of  
Warnaco of Canada Limited will be held at  
11 a.m. on Tuesday, April 27, 1976  
in Confederation Room Number Three,  
The Royal York Hotel, 100 Front Street West,  
Toronto, Ontario.

**Registrar and Transfer Agent**

Montreal Trust Company  
1 Place Ville Marie  
Montreal, Quebec  
H3B, 4A5

**Auditors**

Price Waterhouse & Co.  
5 Place Ville Marie  
Montreal, Quebec  
H3B 2G4



